

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHUL #0491/01 0442243  
ZNR UUUUU ZZH  
P 132243Z FEB 06  
FM AMEMBASSY SEOUL  
TO RUEHC/SECSTATE WASHDC PRIORITY 5965  
INFO RUEHNE/AMEMBASSY NEW DELHI 0500  
RUEHME/AMEMBASSY MEXICO CITY 0290  
RUEHKO/AMEMBASSY TOKYO 0153  
RUEHBJ/AMEMBASSY BEIJING 0069

UNCLAS SEOUL 000491

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR EAP/K AND EB/TPP/BTA  
PASS USTR FOR CUTLER AND KI

E.O. 12958: N/A  
TAGS: [ETRD](#) [PREL](#) [KS](#) [IN](#) [MX](#)  
SUBJECT: KOREA LAUNCHES SPECIAL TRADE NEGOTIATIONS WITH  
INDIA AND MEXICO

SUMMARY  
-----

1. (SBU) Korea added to its rapidly lengthening list of trade negotiations by announcing on February 7 the launch of Comprehensive Economic Partnership Agreement (CEPA) negotiations with India during the visit to Seoul of Indian President Abdul Kalam. The same week, Korea and Mexico held a first round of talks aimed at concluding a "Strategic Economic Complementation Agreement" (SECA). According to contacts at the Ministry of Foreign Affairs and Trade (MOFAT), both agreements are less ambitious in terms of liberalization than more comprehensive free trade agreements (FTA's), although MOFAT claims to plan on striving for getting as close to real FTA's as it can. Both initiatives will require the partners to hold rounds every two months, and take approximately two years to conclude. End summary.

2. (SBU) Econoff met on February 10 with MOFAT FTA Coordination Division Deputy Director Noh Won-il to discuss Korea's plans for a CEPA with India, and with Deputy Director Park Tae-young to discuss the negotiations with Mexico.

INDIA: SHALL I COMPARE THEE TO AN FTA?  
-----

3. (SBU) According to Deputy Director Noh, the decision to launch CEPA negotiations grew out of a bilateral joint study group composed of government, business, and academic representatives that convened four times between January 2005 and January 2006 to analyze the feasibility of a Korean-India free trade agreement. The group came back with a positive response. According to an economic impact analysis done as part of the joint study by the state-affiliated think tank Korea Institute for International Economic Policy (KIEP), an FTA with India would boost Korea's exports to India by 80 percent, and imports from India by 30 percent, as well as have smaller but positive impacts on national income. Korea agreed to term the agreement a Comprehensive Economic Partnership Agreement at India's behest, as India claimed there would be too much domestic Indian opposition to a "free trade agreement."

4. (SBU) Noh said that the CEPA would cover the "traditional FTA aspects" of trade in goods and services, but would also include coverage of investment promotion and development cooperation projects that are dear to India. The Korea-India joint statement announcing the negotiations states

that the agreement will cover trade in goods; trade in services; trade facilitation measures; promotion, facilitation, and liberalization of investment flows; and measures for promoting bilateral economic cooperation in identified sectors. He commented that the full framework of what will be included in the final agreement is not yet certain. Korea is pursuing the inclusion of chapters on intellectual property rights, government procurement, and competition policy, but the outcome of this drive is not yet clear. Noh said that Korea was pleased that India accepted a line in the joint statement stating that the agreement could be expanded to include "other areas."

¶15. (SBU) Noh was less forthcoming about the degree of liberalization that could be expected from the CEPA. While he maintained that the scope of sectors covered would be broad, he implied that the liberalization may not be too deep in many sectors. Noh said that since India's average tariff for industrial goods is over 30 percent and Korea already has a trade surplus with India, Seoul does not expect India to lower many industrial tariffs significantly. He predicted that "slightly less" than 90 percent of trade will be liberalized as a result of the CEPA. For example, he did not expect India to liberalize automobile imports, but maintained that Korea's auto makers would not be concerned, since their India strategy was already focused more on local production than exports.

¶16. (SBU) According to Noh, the first round of CEPA negotiations will take place in mid-March in New Delhi.

MEXICO: WOULD AN FTA BY ANOTHER NAME STILL SMELL SWEET?

-----

¶17. (SBU) According to Deputy Director Park, the Strategic Economic Complementation Agreement (SECA) with Mexico is in

some ways the structural antipode to the CEPA with India. Whereas the CEPA looks to be broad in scope but shallow in liberalization, the SECA will cover a much narrower range of goods, but liberalize trade in those sectors more fully.

¶18. (SBU) Korea has long sought an FTA with Mexico to counter trade diversion from Mexico's FTA's with Japan and others, which Seoul believes is siphoning off its exports. However, despite the conclusion of a joint feasibility study, Mexico refused to negotiate a free trade agreement due to strong opposition from domestic industry, which (as Mexico told Korea) was already too busy digesting Mexico's existing FTA's to be able to handle another.

¶19. (SBU) Park said that Korea consented to a less ambitious agreement in order to get its nose under the tent and to at least liberalize those sectors that Mexico is willing to open. However, the scope and depth of coverage is still under negotiation. The initial idea is that it would cover trade in goods (including agriculture), services, investment, and competition policy, as well as perhaps intellectual property rights and economic cooperation. According to Park, Mexico has already informed Korea that it wants autos, steel and chemicals excluded from the agreement.

¶10. (SBU) The SECA negotiations, like the talks with India, are on a two-month rotating schedule, although the SECA talks have no notional end date.

COMMENT: WHAT'S IN A NAME?

-----

¶11. (SBU) Based on the information currently available, it is clear that neither of these agreements constitute an FTA according to U.S. definitions. It was also clear from the discussions with MOFAT that Korea does not have firm preconceptions of what it wants out of these negotiations, and that these agreements are primarily targets of opportunity. Seoul is entering into the talks without set goals, but rather with a general approach of seeking to get

as much as can now while laying the institutional groundwork for being able to gradually expand coverage and liberalization over time. In the case of India, MOFAT also considers the CEPA to be a fundamental building block for defining the economic aspects of its relationship with a country it views as a future Great Power.

VERSHBOW